Travel and Tourism Research Association: Advancing Tourism Research Globally

2014 Marketing Outlook Forum - Outlook for 2015

Outlook for Air Travel

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Outlook for Air Travel

TTRA Marketing Outlook Forum

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CLEAR INSIGHTS,
SOARING RESULTS

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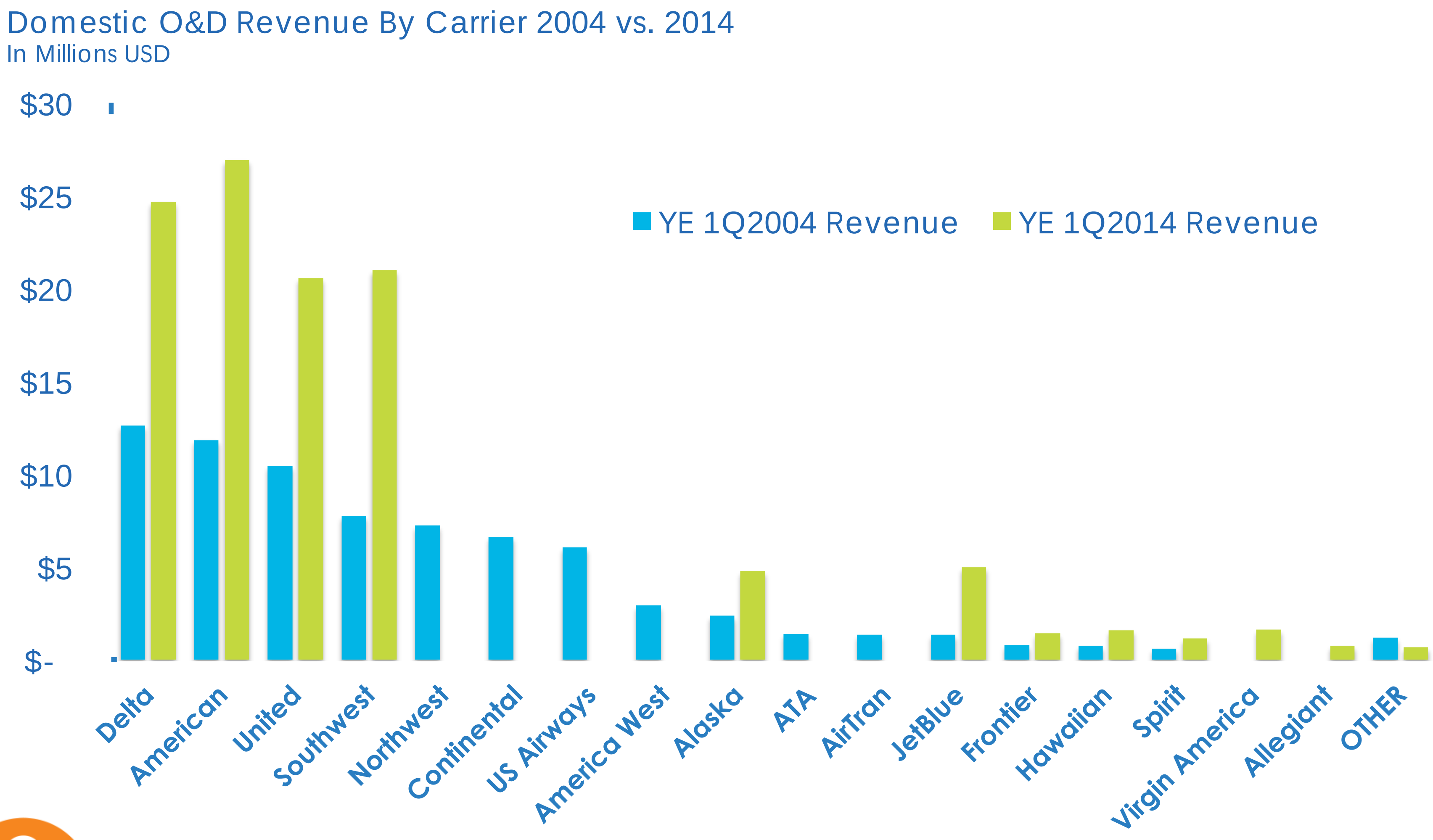
Consolidation Has Changed the Game

2005	U·S AIRWAYS	+	AMERICA WEST AIRLINES	=	U·S AIRWAYS
2006					
2007					
2008	Delta	+	nwa	=	DELTA
2009					
2010	UNITED	+	Continental Airlines	=	UNITED
2011	SOUTHWEST	+	AirTran	=	Southwest
2012					
2013	AmericanAirlines	+	U·S AIRWAYS	=	American Airlines
2014					

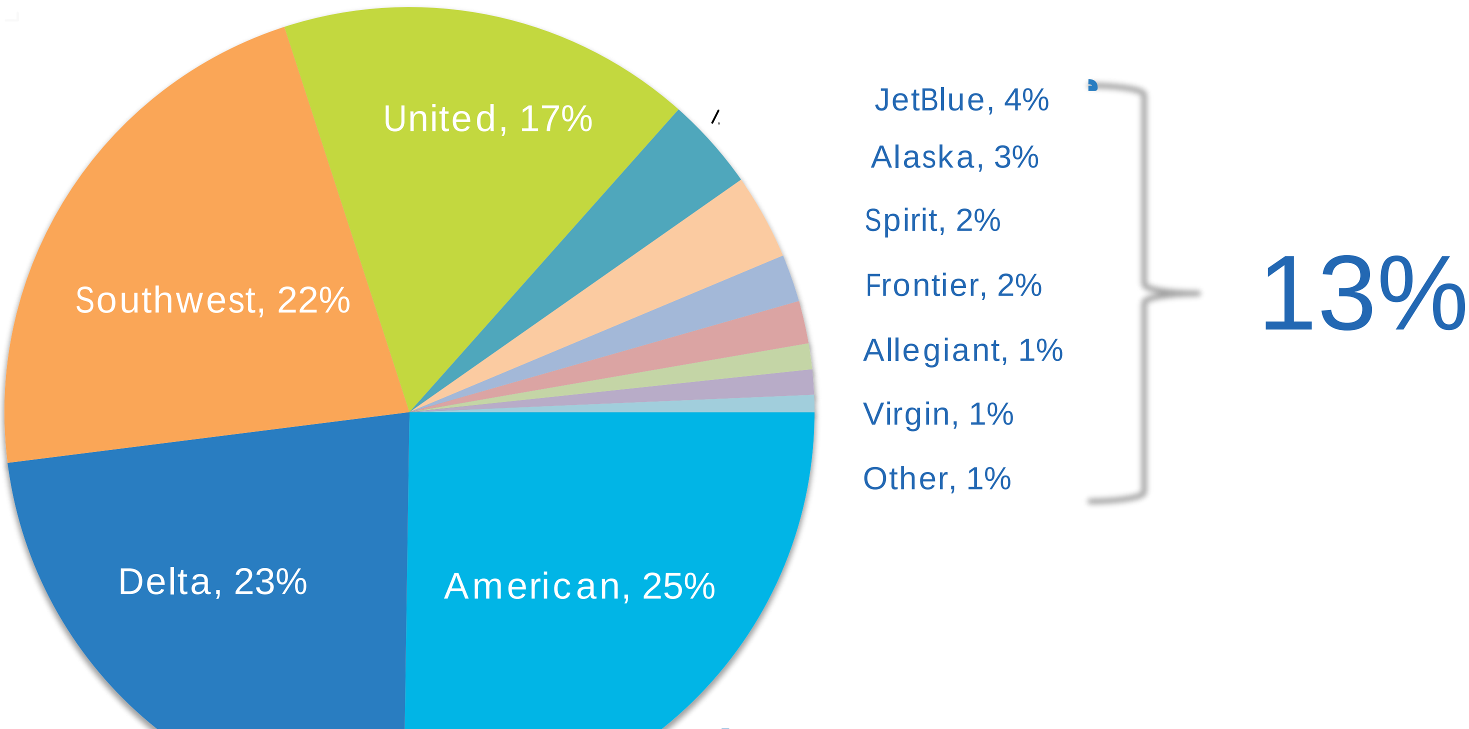
Four Carriers Dominate Domestic Air Travel



Source: **Diio Mi**

The Big 4 Control 87% of Domestic Capacity

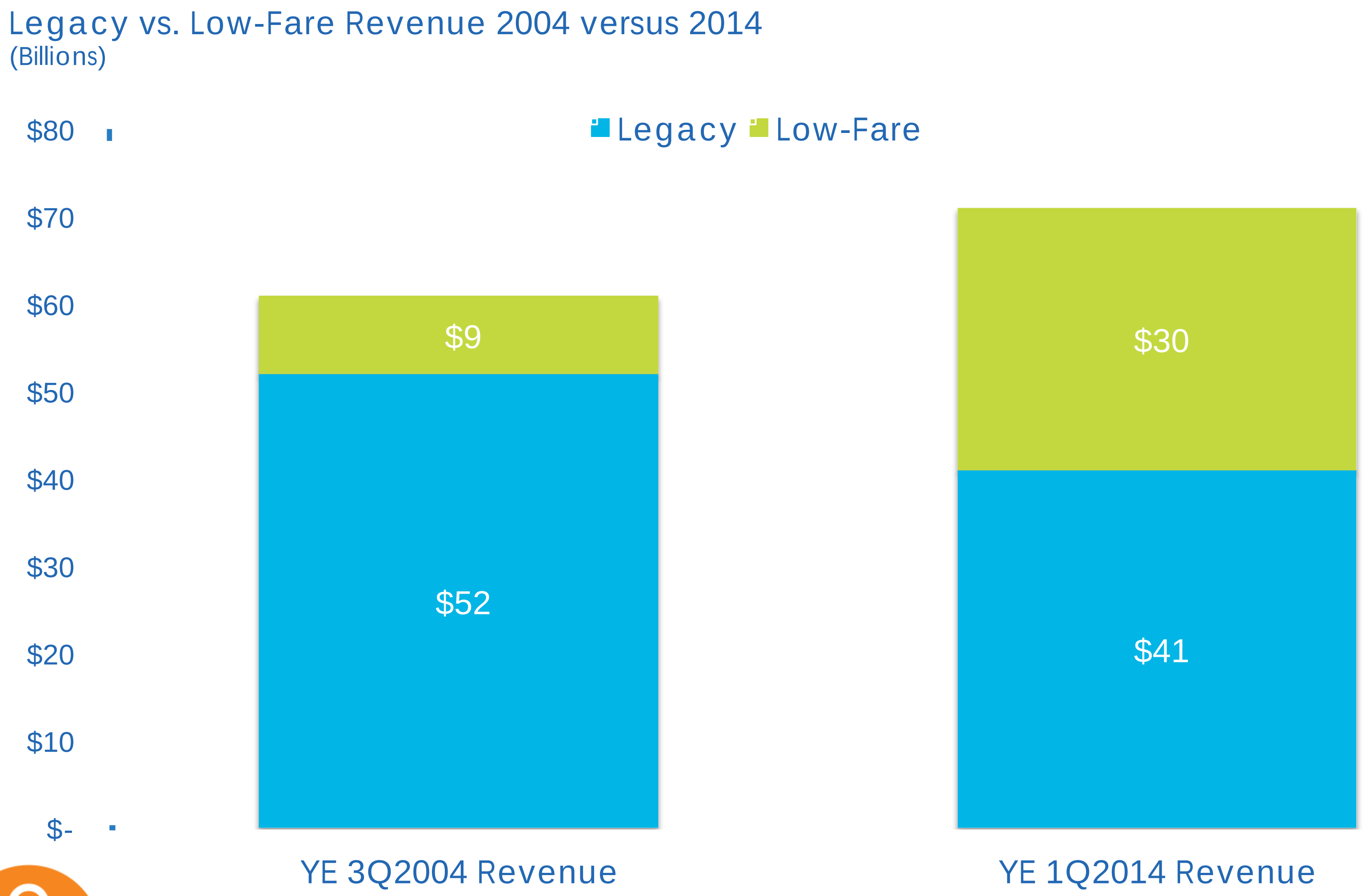
U.S. Lower 48 Seat Share, August 2014



In Europe, it takes 39 carriers to reach the same level of capacity share!

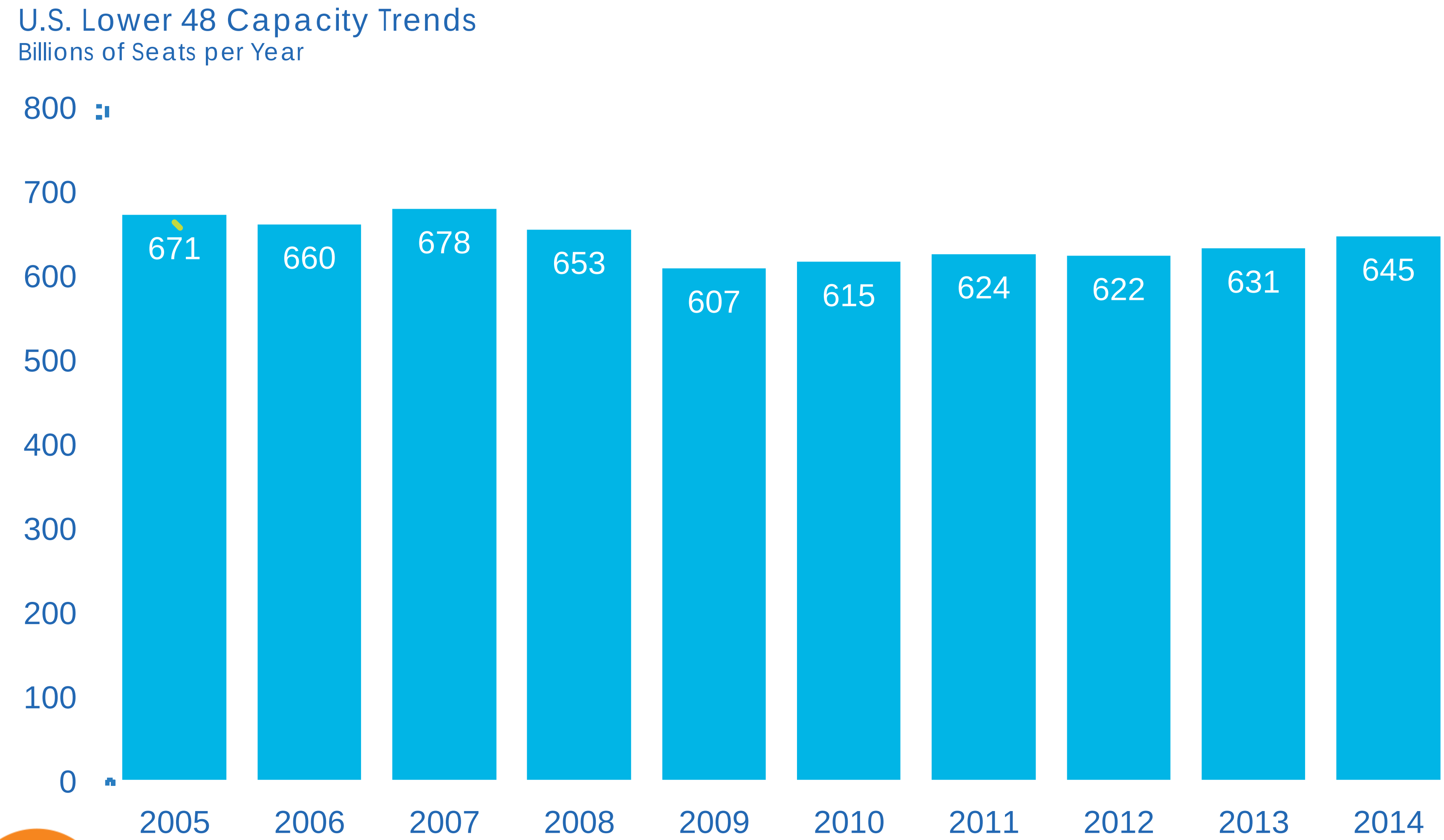
Source: **Diio Mi**

Domestic Action is in the Low-Cost Segment



Source: **Diio Mi**

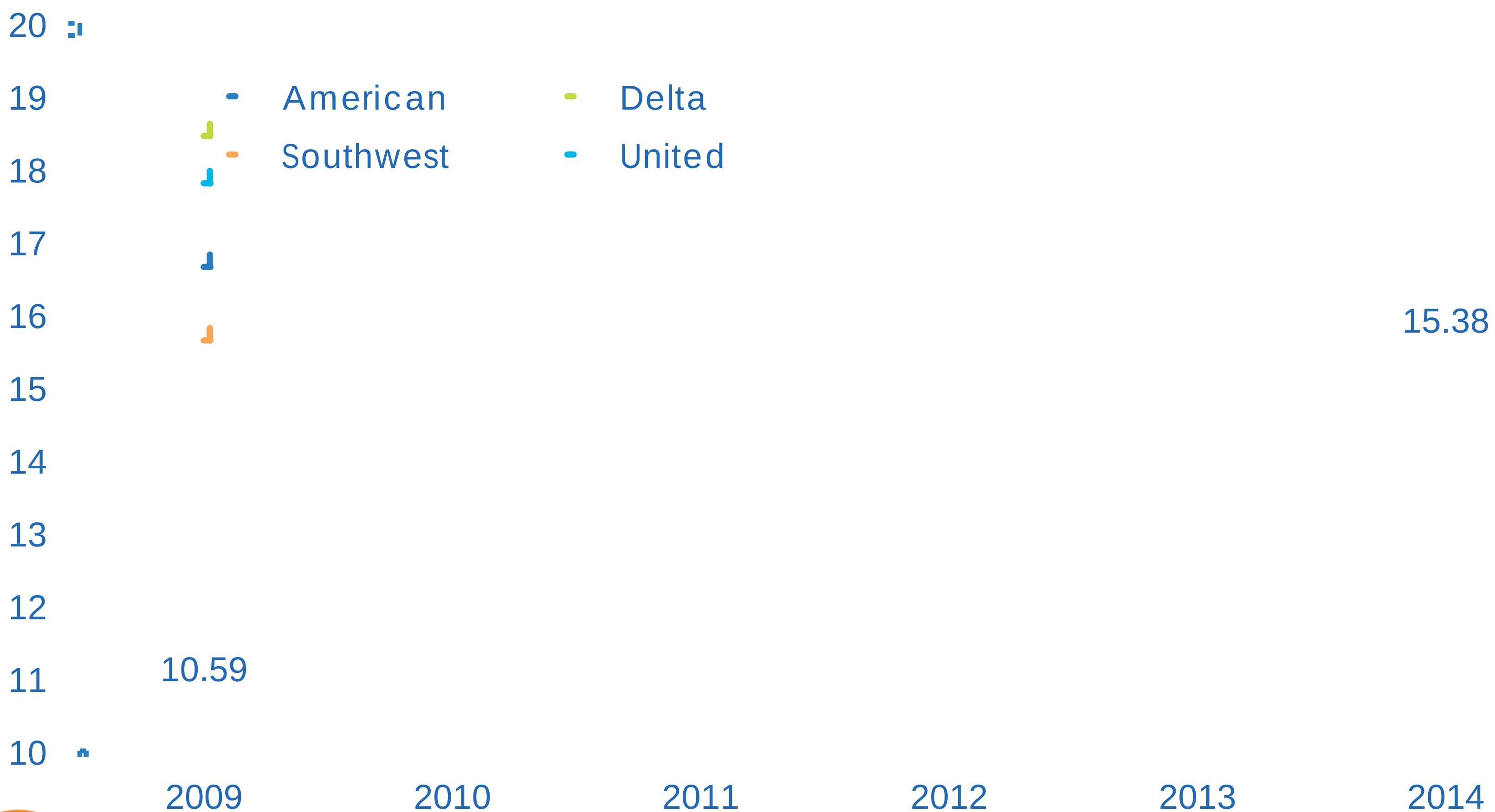
But Net Domestic Capacity Has Been Flat



Source: **Diio Mi**

Unit Revenues are Up on that Capacity Restraint

U.S. Major Carrier RASM Trends
Cents per Available Seat-Mile, Year-Ending Q1 per Year



Source: **Diio Mi**; Does not included merged entities

And Now Record Profits After Decades of Losses

U.S. Public Carrier Operating Margins

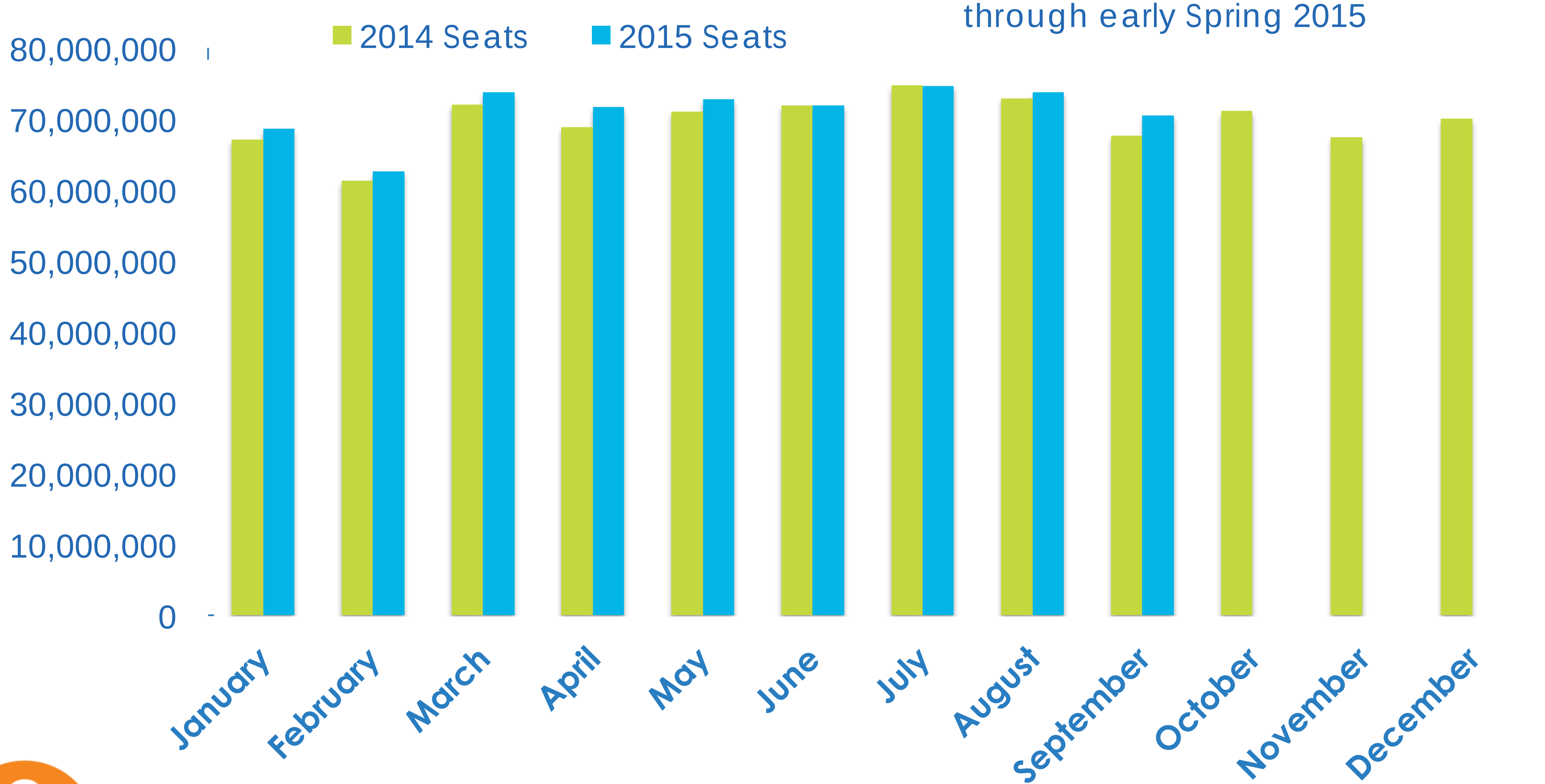
Full-Year for 2009-2013; Quarterly for 2014

Source: **Diio; Airline Weekly** from carrier reports; Does not included merged entities

Planned 2015 Domestic Capacity Increase of 2.1%

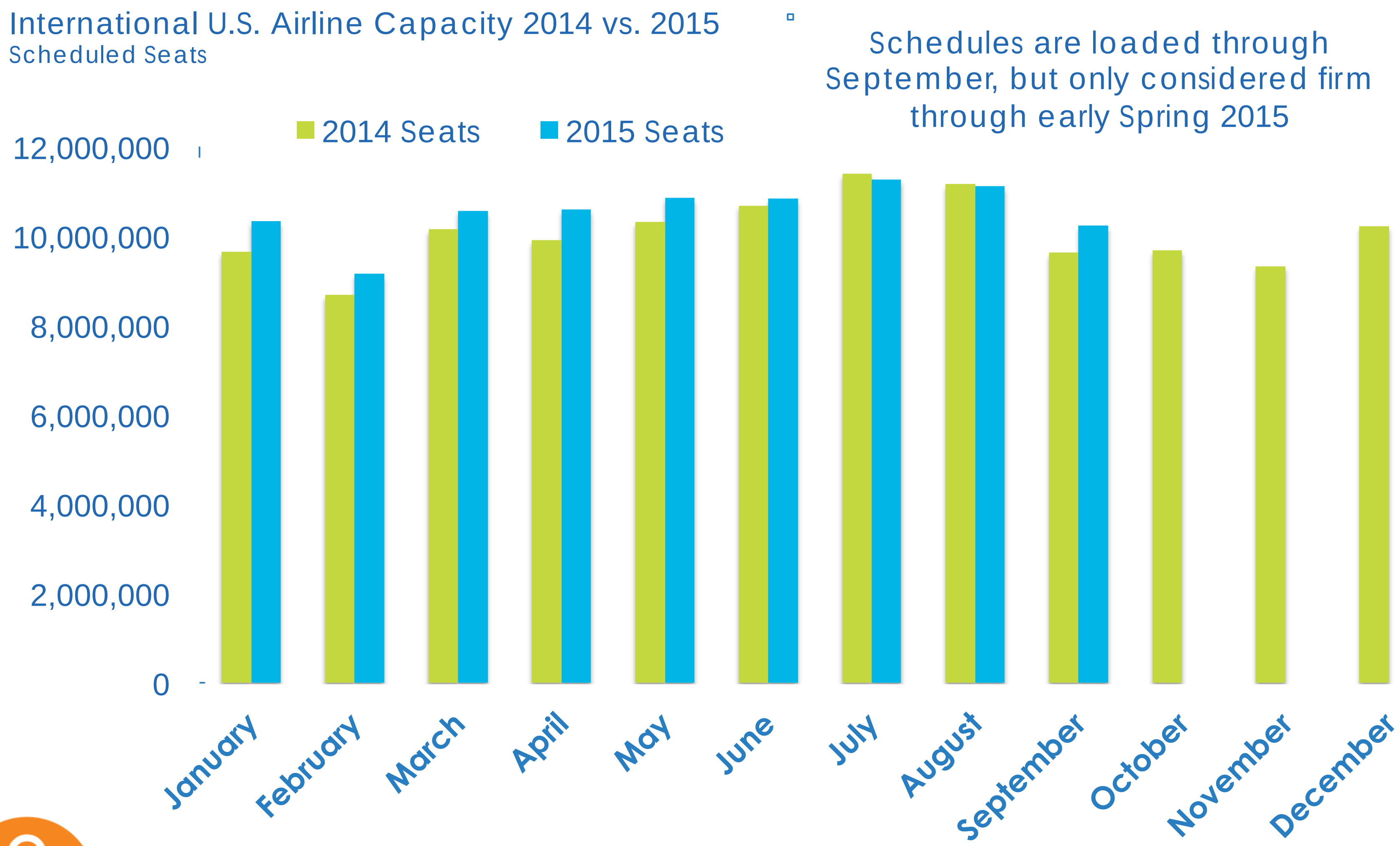
Domestic U.S. Airline Capacity 2014 vs. 2015
Scheduled Seats

Schedules are loaded through September, but only considered firm through early Spring 2015



Source: **Diio Mi**

Planned 2015 Intl Capacity Increase of 3.7%



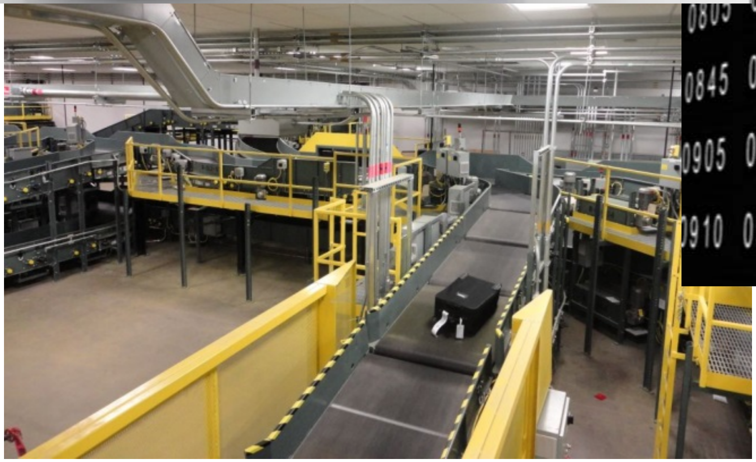
Schedules are loaded through September, but only considered firm through early Spring 2015

Source: **Diio Mi**

Carriers are Investing Again

Better Onboard Products

Improved On-Time Performance



Capital Improvements

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50-Seat Regional Jets are Quickly Fading Away

- Post-9/11, the economics of RJs were superior to larger aircraft.
  - Today that situation is reversed.
- As the fleet ages, it will be parked.
  - Nearly 400 already are.
- And there are no true alternatives available today.
  - Or tomorrow.

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The Return of the Mainliner

- Bigger airplanes are part of the answer.
  - High fuel prices assure this.
- But bigger airplanes at projected demand levels means that consolidation of traffic must occur.
  - Fewer commercial airports.
  - Fewer hubs.
  - Fewer routes.
  - Fewer flights.

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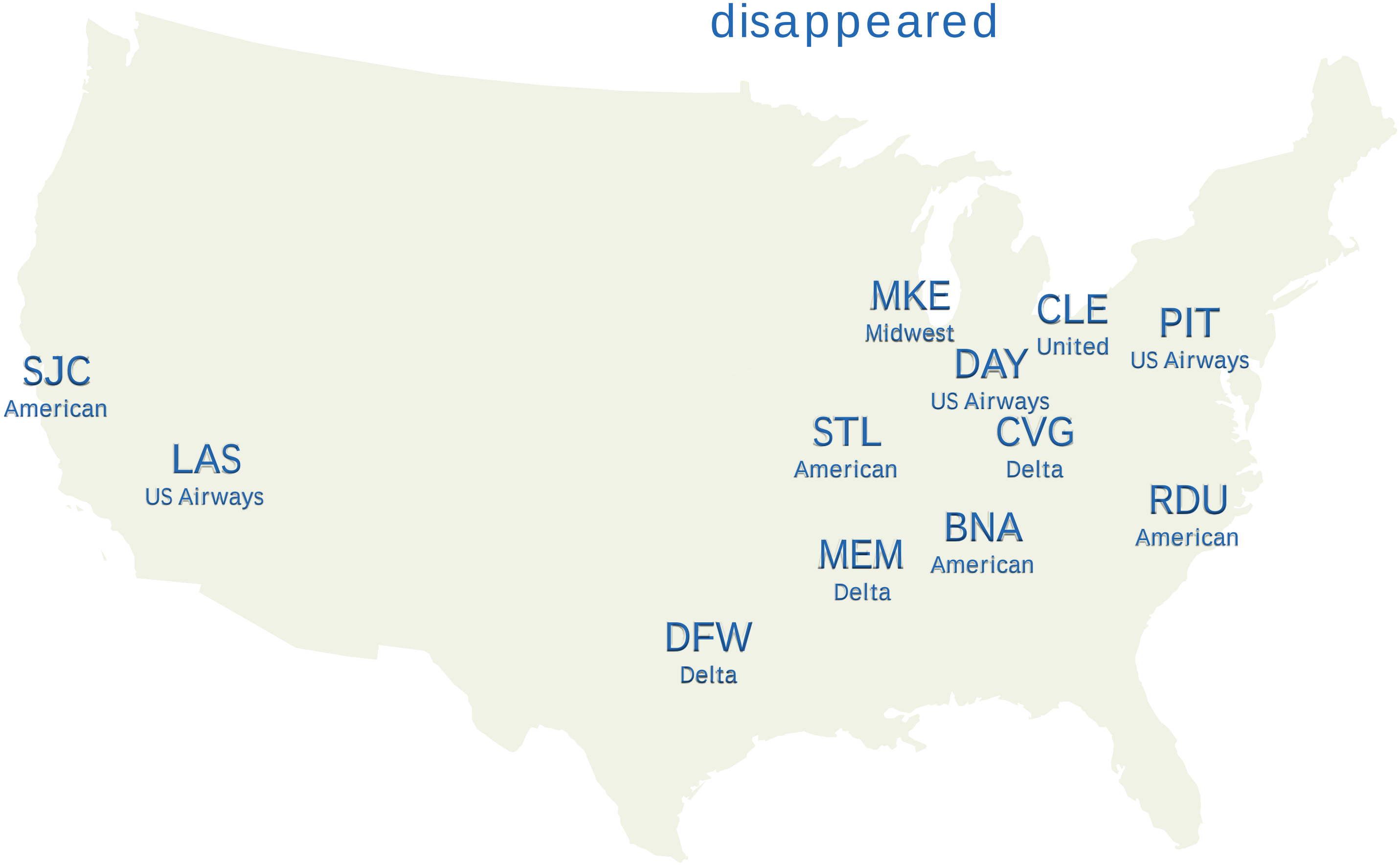
Legacy Carrier Networks Have Been Re-Shaped

12 domestic hubs have all but disappeared



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Large Hubs and Gateways Now Dominate

- Most U.S. traffic growth is be driven to, from, or though, these large markets.

- International growth is key to this trend.

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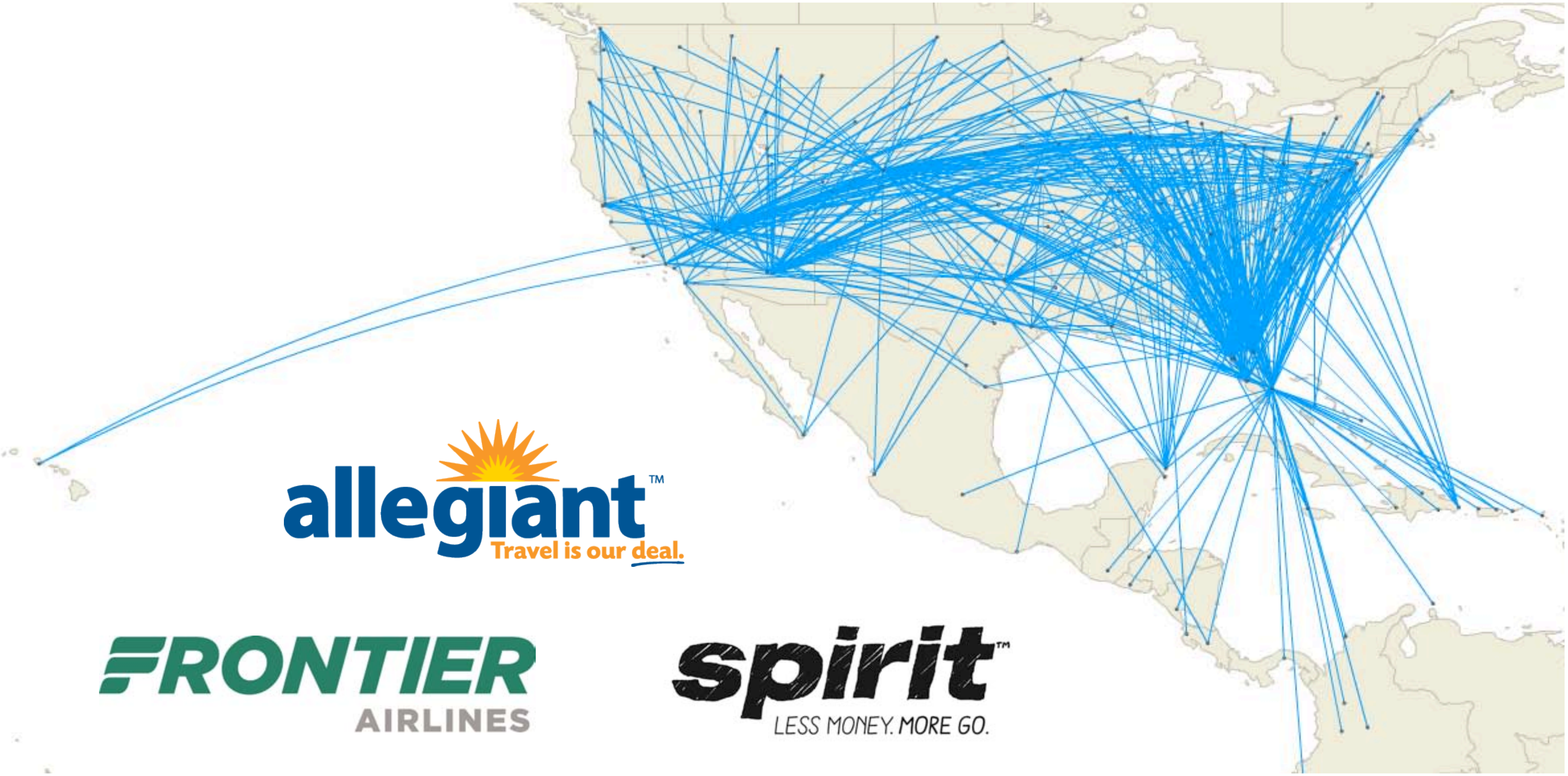
But a New Breed of Carrier is Mixing Things Up



What the Airline Industry is Talking About Today

- Evolution of Southwest Airlines
- Dallas Love Field opens to the nation
- The Battle of Seattle
- More LCC growth in Boston, New York City and Washington D.C.
- Battle: Los Angeles
- The Middle East Three (ME3) shake up the globe
- America, the global airline industry's new dumping ground

Summary

- Consolidation has led to profits, for now
- Four airlines control the majority of capacity
- Airlines are happy with low supply and high fares
- Growth is coming from smaller carriers
- Profitability has brought improved customer satisfaction

Thank You

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